

NOTES FROM THE:

Auditor General of the Air Force



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Federal managers depend on the availability of accurate and timely financial and programmatic information to make informed decisions and guard against fraud, waste, and abuse. To support this financial stewardship process, proactive efforts to identify and correct weaknesses in internal and systems controls are important. To that end, Congress enacted the Federal Managers' Financial Integrity Act (FMFIA) of 1982, commonly called the Integrity Act.

The Integrity Act requires the Air Force to establish a continuous process for evaluating and improving the adequacy of internal controls, and reporting the status of those controls in an annual Statement of Assurance. The intent is that controls provide reasonable assurance that obligations and costs comply with applicable law; assets are safeguarded against fraud, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded. This article highlights the FMFIA and explains the roles of both managers and auditors in implementing the Act's requirements.

The Process. Calls for input to the annual FMFIA Statements of Assurance go out soon. In preparation for reporting, all Air Force units assess their controls and systems throughout the summer. In October, the MAJCOM commanders submit their Statements of Assurance to the Secretary of the Air Force. By December, the Secretary, in turn, submits the Air Force Statement of Assurance to the Secretary of Defense who signs out an overall Statement for the Department. The statements include newly identified weaknesses as well as the status of corrective actions for previously identified weaknesses. Deficiencies are reported as either internal control-related (Section 2, FMFIA) or systems-related (Section 4, FMFIA). For example, risks or data inaccuracies resulting from noncompliance or ineffective execution of a process or adequately-designed system (e.g., problems resulting from data collection deficiencies, human errors, failures to follow guidance, circumvention of system edits, etc.), are Section 2 weaknesses. Conversely, an accounting system that produces unreliable financial data as a result of system design problems is a Section 4 weakness.

Air Force Audit Agency's (AFAA) Supporting Role. AFAA's primary role in this process is to advise and assist Air Force managers in identifying material inter-

nal control weaknesses for inclusion in the annual Statements of Assurance and to encourage corrective actions. To facilitate this effort, we highlight issues in our audit reports that, we believe, rise to the level of a material control weakness. Additionally, we have developed a process to continuously review audit and inspection reports from our Agency as well as the Air Force Inspection Agency, DoD Inspector General (DoDIG), and the General Accounting Office to identify material weaknesses at the MAJCOMs and throughout the Air Force. We work with Air Force managers to categorize the systemic weaknesses and confirm their status and potential impacts.

During the summer and fall, AFAA provides audit assessments of Air Force internal controls for management's consideration in developing their Statements of Assurance. Specifically, we provide input for the MAJCOM assessments, including those of the Air Force Reserves and Air National Guard. Each November, after coordinating the deficiencies and corrective action plans with appropriate Air Force managers, we also issue an overall assessment to the Secretary of the Air Force with copies to the DoDIG. The Secretary of the Air Force usually includes the audit identified material weaknesses in the annual Air Force Statement of Assurance.

In FY 1999, most of the 19 new weaknesses included in the Air Force Statement of Assurance stemmed from audit or inspection reports. For example, we identified seven Section 2 systemic weaknesses related to fiscal and accountability controls in such areas as spare parts, computer equipment, personal property and equipment at closed/realigned bases, and the purchase card program. We also identified one new Section 4 deficiency involving four critical financial management and feeder systems.

Conclusion. The Integrity Act requires all levels of Air Force managers to evaluate and report on controls and systems within their responsibility areas. The process is designed to prompt managers to proactively work internal control and accounting system weaknesses. While auditors perform a significant supporting role in assisting Air Force managers in identifying and reporting systemic weaknesses, the greatest benefits are achieved when managers follow the intent of the Act and take the lead in this process.